

A Donor Coordination Assessment for USAID/Mozambique*

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Why a Donor Coordination Assessment?

Currently, Mozambique is favored by the international development community. Its high levels of poverty, combined with a relatively sound economic policy environment, suggest that Mozambique meets the conditions commonly thought to result in the effective use of development assistance (See World Bank 1998). Since the late 1980s, growth has been strong, averaging between 5% and 7% over the period 1987-1995 and accelerating further still through 2001. This is impressive given the conflict situation that prevailed until 1992. Mozambique held multi-party elections in 1994 and has successfully avoided a relapse into conflict. In August 2001, the boards of the IMF and World Bank endorsed Mozambique's poverty reduction strategy (known as the PARPA), triggering debt relief under the Enhanced HIPC Initiative. The PARPA was found to be a credible strategy on which the Fund and Bank could base future concessional assistance (IMF and IDA 2001) and has received good reviews from other sources as well (See Falck and Landfald 2001). Most, if not all, donors to Mozambique recognize the PARPA as a sound development strategy – even if it remains a bit too general to guide specific interventions.

The result of these perceived positive developments has been a flood of foreign assistance. In 1992, ODA to Mozambique actually eclipsed 100% of the country's GNP. It has since fallen quite substantially, reflecting a decreasing dependence on aid, but still hovered around 25% – \$876 million in net terms – in 2000. This figure, however, still somewhat masks the importance of foreign assistance; the Ministry of Planning and Finance (MPF) reported that aid makes up between 55% and 60% of the government budget. These figures, too, are somewhat misleading, as they only reflect assistance that is known to the Government (GRM). Much aid remains off-budget; that is, it is unrecorded and unknown to GRM, and estimates are not ventured.¹ With so many donors active in Mozambique – at least 46 bilateral and multilateral agencies in 1999, plus an estimated 150 or more NGOs (Francisco 2002) – and so much assistance available, strong donor coordination is essential to ensure the efficiency of resource use and to limit the burdens

* This assessment is based on interviews with USAID staff and representatives from other donors, GRM, and the private sector that took place over the period 19-30 August 2002. It is not, and was not intended to be, an exhaustive survey of stakeholders' opinions, but merely reflects a sample of views. A list of non-USAID interviewees is included as an annex.

** Any views expressed herein are those of the authors and should not be attributed to USAID.

¹ Donors have had difficulty providing the information MPF requests according to GRM's budget classification system. This raises the controversial question of who should bear the costs of reporting. Because most donors utilize standardized reporting systems across all countries to which they direct assistance, it has been argued that they end up pushing reporting costs on to their recipients to ease their own reporting burdens (ECON 1998).

placed by donors on a Mozambican government that often lacks sufficient capacity to adequately manage diverse donor programs and reporting demands.

As a result of the large donor presence in Mozambique, achievement of USAID's strategic objectives (SOs) is, for good or ill, greatly dependent upon the results of activities supported by other donors. Indeed, every proposed SO in the Mission's concept paper relies on at least one critical assumption that takes account of the expected contributions of other donors. It is therefore important to USAID that the activities supported by other donors which are seen as critical to the achievement of USAID's SOs be consistent with USAID's strategic approach and actually be implemented in a timely and effective manner. Donor coordination can be a useful way for USAID to leverage additional political support and resources from the donor community in furtherance of its SOs. And due to the multiplicity of donors active in Mozambique, opportunities for leveraging are widespread.

The Donor Coordination Landscape

To avoid duplication of effort, donors historically concentrated their interventions geographically among Mozambique's provinces. While this tendency has not entirely disappeared, donors have made efforts to coordinate their assistance more strategically around particular issues. If the effectiveness of coordination could be deduced by the number of formal coordination arrangements in existence, Mozambique would have to be considered one of the best coordinated countries in Africa. "There are numerous co-ordination mechanisms dealing with overall development policy, macroeconomic support, different sectors, and specific themes" (DAC 2001: 7). Unfortunately, as one interviewee suggested, a multiplicity of coordination mechanisms often means that their effectiveness is limited. Indeed, several donors expressed dissatisfaction with the current collection of coordination mechanisms. Whereas many countries suffer from an absence of coordination arrangements, Mozambique seems to have an excess of poorly linked coordination mechanisms. As such, efforts to coordinate assistance have resulted in the need to coordinate the many coordination mechanisms.² This seems to be well recognized by the donor community in Mozambique, which probably would support a strong effort to rationalize the system. This section describes the various existing coordination fora.

Development Partners Group (DPG)

The DPG is considered the highest level donor coordination body in Mozambique that meets on a regular basis. It is jointly chaired by the UNDP and World Bank and meets once a month. The DPG is normally attended by Ambassadors and heads of agencies and remains exclusively a donor discussion group. It is not a decision-making forum, and no record of the meetings is kept. While the DPG is widely acknowledged as a useful forum for freely sharing policy positions, particularly on political matters, most donors recognize its limited effectiveness in coordinating

² There is not only a need to coordinate the coordination mechanisms, but also to coordinate studies of coordination in Mozambique. In slightly more than one year, donors – most notably under the auspices of the DAC – have commissioned a number of studies on coordination arrangements and efforts. See Pavignani and Hauck (2001), DAC (2001), Francisco (2002), and Batley (2002). The field work done for this study was to be followed by a visit from an EC study team on 3-6 September 2002 whose aim was to document coordination among the development assistance programs of EU member countries in Mozambique.

assistance. This is, at least in part, due to the political stature of the attendees; Ambassadors usually do not concern themselves with operational or technical issues.

The exception occurs when the DPG focuses its energies on the preparations for the annual Consultative Group (CG) meeting. For approximately two months in advance of the CG, the DPG seems to work diligently in planning the agenda, drafting position and discussion papers, and determining pledges. One suggestion to improve the effectiveness of the DPG, made by the EC, is to use the meetings to more carefully develop the CG agenda and follow-up on the meeting itself. In other words, focus the DPG entirely around the CG. The World Bank offered a similar suggestion for reforming the DPG: replicate the structure of the CG within the DPG – that is, include GRM in the meetings – to allow continuous attention by all sides on preparations for the CG and subsequent follow-up.

In theory, the DPG is supported by an array of sectoral or issue-specific working groups that involve operational staff from donor agencies. Each of these groups seems to operate according to different rules. For example, the budget working group meets on a quarterly basis with GRM. Other groups meet more regularly, with or without GRM. A common complaint about these groups is that none reports to the DPG or contributes to its discussions in practice. The more effective groups tend to be those whose members report back to the leadership within their individual agencies, but as groups they are not held accountable by the DPG.

In all likelihood, the effectiveness of both the DPG and the technical working groups would be enhanced by a more direct link between them. DPG discussions could be better informed of technical matters, making meetings more operationally relevant, and technical groups, finding themselves more politically relevant, could be pushed to work more diligently to resolve difficult issues. How such a link might be established is unclear, though both DfID and Ireland were reported to be exploring different ideas. One option could be the creation of mid-level coordination groups that would effectively cluster the technical groups around common themes, which would then report to the DPG. However, the problem of coordination in Mozambique remains one of coordinating the many coordination mechanisms, which should be kept in mind when considering the addition of more coordination groups. It may be preferable to enhance the effectiveness of the existing groups – and eliminate those whose potential effectiveness is limited – before proceeding with the addition of any more donor coordination arrangements.

Group of 10 (G10)

The G10 appears to be one of the more influential donor coordination groups in Mozambique. It is made up of nine European countries plus the EC, all of which have agreed to provide GRM with general budget support according to an agreement signed by the donors and GRM in November 2000 (See Joint Donor Group 2000). The group holds weekly meetings of the agencies' economists, and the IMF and the World Bank maintain observer status. The agreement dictates that donor support will be predicated on a continuous dialogue with GRM, represented by MPF, on progress in poverty reduction, domestic resource mobilization, and public financial management and outlines a series of regular reporting and auditing requirements that must be fulfilled by GRM. The dialogue occurs over an annual Joint Donor Review meeting, quarterly

meetings of the budget working group, and informal meetings, averaging perhaps twice per month, as warranted.

According to the IMF, approximately 40% of all assistance to Mozambique is provided by the G10 and its two permanent observers as budget support, giving the group substantial leverage in policy discussions with GRM. However, because GRM would likely have difficulties in carrying out its routine duties if the G10 withheld its disbursements, the threat to withhold is not entirely credible. The recent banking scandal posed the first real test for the G10, and, though accounts differ, disbursements do not seem to have been held up as a result.³ However, the scandal has spurred the G10, encouraged by the IMF, to consider alternative conditions for the release of its assistance. In particular, the group is exploring the possibility of tying its assistance to governance-related conditionality. The EC, in fact, will begin experimenting with a two-tiered system for delivering its budget support. The first tier will be tied to standard macroeconomic conditions, namely the PRGF, and will be similar to existing G10 operations. The second tier is thought to be more flexible and will be triggered by progress on social development and possibly governance indicators.

Sectoral and Thematic Working Groups

A plethora of working groups exist whose focuses range from relatively broad issues, such as public sector reform, to more narrow, sector-specific issues, such as roads. Many of these will be discussed further as they pertain to USAID/Mozambique's proposed SOs. As one might expect, their effectiveness varies considerably. Due to limited information, two themes that will not be covered in great depth in this report are gender and disaster response. However, there exists a regular donor working group focused on gender whose objective is to increase pressure on the donors to implement their own gender policies.⁴ Coordination on disaster response, while done on an as-needed basis, can be critical in a country that experiences periodic crises, as Mozambique has in the past few years.

Other Coordination Venues

Some donor coordination fora are not open to USAID participation, though it may be important to be aware of their existence. For example, the heads of EU development cooperation agencies meet on a monthly basis. These meetings seem to be of mixed utility, with some donors finding them quite useful and others seeing them as more of an "obligation." Though membership does not overlap entirely, many of the EU countries also meet regularly as part of the "like-minded" group. In Mozambique, the "like-minded" group, generally distinguished for its preference for sector-wide approaches (SWAps) and the pooling of donor assistance, consists of the Nordic countries, Canada, DfID, Ireland, the Netherlands, and Switzerland. In addition, the various UN agencies meet regularly among themselves and coordinate their assistance programs under the

³ For a different account, see Harvey (2002).

⁴ Only the Netherlands, which serves as the group's convening donor, has a full-time position dedicated to integrating gender issues into its programs. Gender issues tend to be only a small part of the portfolio of other donors' gender advisors, and therefore participation in the working group is often irregular. The group is also currently working to better "genderize" the PARPA. Unfortunately, it is not clear how effective the group's efforts have been since the ministry dedicated to promoting women's rights and issues is given little priority within GRM.

country's UN Development Assistance Framework, which essentially serves as the UN country strategic plan.

An SO-by-SO Account of Donor Coordination

SO 1: Rural income growth accelerated

ProAgri

Mozambique's agriculture sector program, ProAgri, seems to be the most advanced SWAp in Mozambique. ProAgri became functional in 1999, but its roots can be traced to 1995 when the Ministry of Agriculture and Rural Development (MADER) embarked on an ambitious effort to design an agricultural policy for Mozambique. Its achievements to date are recognized by many as impressive. ProAgri has served to rationalize the contributions of most donors to the agriculture sector through an agreed mechanism by which assistance is channeled through GRM's budget – earmarked for ProAgri – in support of common objectives. Most donor-supported activities within the agriculture sector are now known to MADER, which has enhanced the Ministry's ability to fulfill its planning function. Only a couple of significant donors still operate outside of the ProAgri framework, though until recently the World Bank, one of the more important donors, had difficulties in participating in ProAgri according to the agreed memorandum of understanding. Perhaps ProAgri's greatest achievement to date is the fact that 60% of its resources will be allocated to the provincial level in the 2003 budget, suggesting that decentralization is becoming a reality.

ProAgri is in fact a true partnership between GRM and the donors. The coordination mechanism has evolved from an exclusive donor working group to a situation in which a MADER representative co-chairs weekly working group meetings with a donor representative, currently from USAID. The next step in ProAgri's evolution would involve a complete transfer of leadership over the working group meetings to MADER. While a few donors believe such a transfer would be appropriate at this time, most are reluctant to do so, as is MADER. The donor co-chair is seen by many as a useful buffer between the donors and GRM.

Beyond the working level, the group meets on a biannual basis to jointly review and evaluate progress. An evaluation of the first phase of ProAgri was recently completed, and it was carried out as a joint activity. MADER developed the terms of reference for the evaluation and solicited donor feedback. The same process is used for the annual audit of ProAgri. In addition, meetings are held with the Minister on an as-needed basis when important issues arise. These meetings were previously held on a monthly basis, but the maturity of the relationship between GRM and donors, as well as the effectiveness of the working group meetings, has made them less necessary.

By all accounts, ProAgri is a model SWAp whose lessons can greatly inform other efforts to develop sector programs in Mozambique. Nevertheless, certain challenges remain. A common criticism of ProAgri is that it has not yet resulted in the ultimate objectives of the program, namely increases in agricultural productivity. This is well recognized even by those most convinced of ProAgri's achievements. Results, of course, take time, and one of the lessons of

ProAgri is that, in an environment in which capacity deficiencies are widespread, a great deal of time and energy must be devoted to procedural issues in order to properly develop the systems needed for a functioning sector program. It is encouraging, however, that resources are making their way to the field level, where the results will ultimately be realized. A general concern about SWAp is that they can have the adverse effect of reinforcing centralized management systems. In this case, decentralization is being driven by MADER, the central Ministry.

Part of the delay in achieving increases in agricultural productivity as a result of the reforms initiated through ProAgri is due to the fact that MPF staff, particularly at the provincial level, had difficulty delivering funds to MADER offices at the field level. As per the agreed flow of funds mechanism, funds that are transferred from the center to the field must go via MPF, both at the central and provincial levels, before reaching MADER field offices. There exists no direct budget link between MADER at the center and its provincial offices, and progress in ProAgri was delayed by budget management problems at MPF. ProAgri therefore supported some capacity development for provincial MPF staff. Though this delayed ProAgri implementation, the improved MPF capacity at the provincial level should allow other sectors contemplating similar reform programs to more quickly and effectively decentralize their operations.

Recently, some donors have begun to consider the removal of the earmark from their assistance for ProAgri and instead providing it as general budget support. The trend for DfID and the Netherlands certainly appears to be in this direction. Currently, most donors, including DfID and the Netherlands, pool their support for ProAgri in a dedicated foreign exchange account. The EC and USAID are the exceptions, as both disburse their assistance for ProAgri directly into GRM's budget. The foreign exchange account presumably allows pooling donors to better attribute their contributions to the agriculture sector, but in practice it is impossible to identify precisely how funds are spent. The account is, however, useful insofar as it is a source of funds dedicated exclusively to ProAgri and can be used in the event that, for example, the release of the ProAgri budget is delayed. The prospect of some donors transferring their support to ProAgri into general budget support thus concerns several ProAgri donors and MADER itself due to doubts that the policy priority given to agriculture will actually translate into a budget priority and concerns about GRM's overall ability to manage the budget.⁵

Beyond ProAgri

One of the key reasons for the success of ProAgri seems to be that it is strictly concerned with the appropriate role of MADER in the agriculture sector. It is therefore not a SWAp per se because it is not sector-wide in scope. However, the main reason for its success also limits its effectiveness in dealing with issues that are part of SO 1 but which fall outside of the scope of ProAgri. For example, SO 1 contains a roads component, but roads and other infrastructure are the purview of another ministry, and coordination on roads activities is actually addressed in

⁵ One interviewee noted that there are several reasons a shift toward general budget support may be problematic, in addition to the above: (1) donors should view themselves as providers of technical assistance and sources of sound advice – not just providers of finance; (2) donors may be in a better position to judge the appropriate contributions of individual countries to international public goods, such as agricultural research; and (3) more practically, Ministries of Finance tend to attract higher caliber individuals, so general budget support can have the effect of reinforcing the power of the most competent people rather than developing capacity where it is most needed.

another working group of seemingly more limited effectiveness.⁶ SO 1 also seeks to support rural financial services, a private sector activity for which the most appropriate focal points for coordination might be a particular business association and, from GRM, the Ministry of Industry and Commerce or MPF, rather than MADER.

Such cases raise the question of whether the mandate of ProAgri should expand to include issues over which MADER has more limited influence even though they might affect the outcomes MADER is trying to achieve. There may be a precedent for expanding MADER's mandate in this way. An Inter-ministerial Land Commission was created originally under the auspices of the Prime Minister. Recently, with the Land Commission's mandate due to end, the Council of Ministers appointed the Minister of Agriculture as GRM's point person for land with a mandate to lead coordination with other GRM units and incorporate land activities within MADER's structure. Rural development, a multisectoral theme, is also considered the responsibility of MADER.

Certainly, as ProAgri matures, the group should be able to tackle more complex issues and perhaps expand the partnership to include private sector and non-governmental actors. For example, the EC reported limited coordination with USAID on assistance for agricultural industry and commercial agriculture, as well as USAID-funded NGO activities, none of which is addressed currently in the ProAgri working group. However, it would also be useful for MADER to establish better communication with other sectoral ministries. One donor suggested that, generally, donors could play a positive role in Mozambique by encouraging GRM to talk to itself. The ProAgri donors seem particularly well placed to encourage MADER to engage with other ministries whose policies and activities have an impact on the agriculture sector.⁷

SO 2: Labor-intensive exports increased

Few Programs in Private Sector Development

Given the crosscutting nature of SO 2, one might expect coordination arrangements in support of the objective to be widespread and diverse. In fact, no formal coordination arrangement exists for donors supporting private sector development, the major focus of SO 2. The World Bank has developed a project that includes a private sector component and has placed a person dedicated to small and medium enterprise development in Mozambique, but the reality is that few donors support private sector programs. The focal point of USAID's private sector support is the CTA, an association of business associations. Besides USAID, the EC, Sweden, and the World Bank provide support to the CTA. The CTA has supported the development of private sector teams that regularly interact with GRM on nine major policy issues that were determined to be of

⁶ USAID staff expressed concern regarding the issue of road maintenance. In particular, revenues generated by a fuel surcharge destined for road maintenance have apparently been reallocated toward other priorities. A Road Fund dedicated to road maintenance was created to eliminate this problem, but it has not done so satisfactorily. Because assistance to the roads sector is dominated by the World Bank, and until recently the World Bank had no one in Mozambique dedicated to roads, coordinated donor efforts to resolve such matters have not occurred. [N.B. As a result of limited discussions with relevant World Bank staff, the success of the Road Fund in dedicating funds for road maintenance remains somewhat unclear.]

⁷ Planning discussions for the second phase of ProAgri have considered expanding the scope of ProAgri to include sectoral issues for which primary responsibility may not rest with MADER.

priority interest to the business community. Some of these issues, such as legal sector and tax reform, are actually addressed in donor working group meetings, and sometimes members of the business community are invited to participate. Private sector participation in these donor groups, however, is far from institutionalized.

G10

Interestingly, a couple of donors have suggested that discussion of USAID's private sector work would be a welcome addition to the weekly G10 meeting. As the G10 donors all provide general budget support to GRM, discussion in the group has understandably focused on reform of the public financial management system. For some, this has come at the expense of important discussion on general growth policy issues and private sector development, which also fall under the mandate of the G10. Harvey (2002) shares this view, and he believes there remains much skepticism on the part of key individuals in GRM regarding the benefits of market-oriented policies. This was also mentioned by the CTA, which expressed its disappointment with GRM's reluctance to incorporate private sector input into the PARPA following consultations.

A couple of G10 members suggested that the potential for leveraging the group's support for private sector development and trade capacity building, another focus of SO 2, is substantial. However, there are different views among G10 members regarding the conditions for USAID participation in the group's meetings. The G10 is officially open to other donors – USAID has been invited to participate in the past – but because of the group's access to privileged information from GRM, some argue that attendance should require a firm commitment to budget support. Other donors seem to be far more interested in the substantive contributions USAID might make to the group. It is worth noting that France was admitted into the group as a result of its cancellation of debt once Mozambique had reached its HIPC completion point. Likewise, the U.S. has granted debt relief to Mozambique, but USAID's case for joining may be stronger than that of France due to the \$4 million in budget support that was part of USAID's ATRIP program.⁸ Further, the concept paper indicates that the Mission is at least considering the future use of budget support in support of SO 2.

Legal and Public Sector Reform

According to the concept paper, legal and public sector reform will be critical for the achievement of SO 2. Unfortunately, it is not clear how much commitment there is to the implementation of either. Broad legal reform does not seem to be proceeding, and most donors expressed the opinion that GRM's public sector reform program does not adequately address some of the most important public sector challenges to be overcome. According to Harvey (2002), the business community seems generally pessimistic about the private sector response to public sector reform. There exist coordination groups that address both legal and public sector reform, but neither currently appears to be very influential. However, the legal reform donor working group, chaired by Denmark, is beginning to explore governance-related indicators that could be part of the G10's effort to reinvent its approach to conditionality. Denmark itself has tested a program based on indicators of political will, and the chair of the working group

⁸ None of the interviewed donors was aware of USAID's use of budget support as part of its private sector development program.

envision the group serving as a technical unit in support of the G10 on governance issues. The fact that the G10 is currently chaired by Denmark as well suggests that the work of the legal reform working group could become much more relevant. There thus seems to be a convergence of donor interests developing around issues related to the Mission's proposed governance SO and that are also important to the achievement of SO 2.

SO 3: Use of quality health services increased

GT-SWAp

In the health sector, efforts are underway to establish a SWAp. Previously, the health sector was supported through a series of uncoordinated projects, a result that is in part attributable to the historical tendency for donors to focus their efforts on particular provinces. In 2000, donors and GRM agreed to a code of conduct that serves to guide donor interventions in the health sector. The GT-SWAp coordination group, which meets two times per month, was established following the signing of the code of conduct. The meetings are chaired by the Ministry of Health (MISAUD) and are open to all donors irrespective of whether they provide assistance to the health sector. The GT-SWAp officially reports to the Health Sector Coordination Committee (CCS), which, after meeting on a quarterly basis for some time, now meets only two times per year to discuss high-level issues. The CCS is presently awaiting the results of the first joint GRM-donor evaluation of the health sector. A common criticism of the existing coordination structure is that it does not involve NGOs despite the strong presence of NGOs in the health sector. It was noted by both MISAUD and several donors that the relationship between GRM and NGOs is improving – for example, MISAUD is attempting to develop a code of conduct with NGOs – but the legacy of GRM's mistrust of NGOs remains evident.

The GT-SWAp has been pre-occupied with the creation of a common fund for assistance in support of the overall health sector. MISAUD is keenly interested in consolidating various pools in the health sector into a single fund and eliminating direct relationships between individual offices within MISAUD and the donors. In doing so, the expectation is that funds – both GRM's and donors' – would be allocated more rationally. MISAUD seems to be taking a sensible approach to consolidating the various pools: the more effective the pool, the less immediate is the need to bring it into the common fund. Accordingly, the pharmaceutical pool is likely to be the last one incorporated into the common fund. MISAUD understands that ultimately the common fund should be placed on-budget; that is the funds should be provided directly to MPF, which in turn would make them part of MISAUD's budget. However, like MADER, MISAUD has some concerns about GRM's overall ability to manage the budget. The experience of ProAgri, in which funds intended for the provinces were delayed due to capacity deficiencies in the MPF system, could be particularly serious for the health sector, although some of these problems have been resolved due to capacity building efforts in support of ProAgri.

The consequence of the almost exclusive focus within the GT-SWAp on establishing a common fund is that meetings are used mainly to discuss financial matters. As USAID pointed out, however, one dollar from USAID is not necessarily equivalent to one dollar provided by, say, Belgium when it comes to funding activities. Unfortunately, very little of the meetings' discussions serve to coordinate activities. A fully functioning SWAp therefore still seems

several years away. Unlike the case of ProAgri, discussions have not centered on the priority functions of MISAUD in the health sector, preventing concrete plans from emerging. MISAUD and the donors are probably both guilty of overemphasizing financial issues. MISAUD, of course, has a strong interest in learning about everything that is supported by donors in the health sector. For their part, donors – particularly those whose policies identify SWAp with direct support to GRM – have commissioned a number of studies on financial matters that often guide GT-SWAp discussions. The latest of these, jointly funded by Norway, Sweden, and Switzerland (Pavignani, Sjølander, and Aarnes 2002), explores possibilities for moving donor assistance to the health sector on-budget. According to some donors, the result is much talk and little action, or, in the words of one interviewee, “paralysis by analysis.”

USAID Leadership in the Health Sector

The focus on financial issues has, however, highlighted the importance of some of USAID’s contributions to the emerging sector program, particularly its systems capacity building efforts. Though criticized for not being sufficiently transparent regarding many of its activities in the past, USAID is recognized by donors and MISAUD for having dramatically improved its efforts to coordinate assistance to the health sector in the last six months to one year. Nevertheless, USAID leadership in the health sector is hampered by delays in following through on its commitments as a result of its own procurement problems and limited communication on project status. This was confirmed by MISAUD, which, as a result, tends to make similar requests of multiple donors with the expectation that some will not deliver. What thus appears to be a lack of communication within MISAUD is actually a risk diversification strategy, though it generally results in the same inefficiencies.

USAID’s inability to provide program assistance in support of the health sector was thought to be another constraint on USAID’s leadership. In fact, no donor that was interviewed expressed this view. Neither did MISAUD. The message from both donors and MISAUD was that budget support is not central to a SWAp. What is important is the joint planning that ensures all donor support, whether in the form of program or project aid, fits within an agreed sector framework. Nonetheless, USAID staff expressed an interest in using program assistance in the health sector if the current legal restrictions were to be lifted. However, according to one interviewee, there is currently too much money flowing to MISAUD as it is. Though the interviewee had always disagreed with USAID’s reliance on NGOs, the general shift in assistance away from NGOs toward GRM directly, it was argued, threatens to overwhelm the capacity of MISAUD. A better use of funds might therefore involve supporting reforms in systemic areas that ultimately affect the health sector rather than the health sector itself. Indeed, the CCS noted in its joint statement of 14-15 November 2001 that the absence of MPF and the Ministry of State Administration in GT-SWAp meetings had impeded progress on discussions of several key issues.

SO 4: Behavior changes enhance HIV/AIDS prevention and care

Lack of Coordination

Of USAID’s five proposed SOs, the need for improved coordination is clearly most urgent in the case of the HIV/AIDS program. All donors that were interviewed recognized this. Donor

coordination of the most basic sort, the sharing of information, does not occur in any formalized manner. Donors have very little knowledge of the activities others are supporting. Illustrative consequences of the problem include a scarcity of donor-supported activities in the center of the country, where HIV/AIDS prevalence is highest; conflicting approaches to civil society development, with MONASO beginning to feel threatened by FDC in its role as an umbrella organization for NGOs; and proposals by at least four donors to conduct institutional assessments of the National AIDS Council (CNCS).⁹ At this time, CNCS, GRM's inter-ministerial commission created to lead the fight against AIDS, is not able to fully carry out one of the primary functions for which it was established: the coordination of GRM and donor-supported activities under a national HIV/AIDS strategy. A technical unit was supposed to have been created to support the policy work of CNCS and serve as a focal point for regular meetings of technical advisors from UN agencies, bilateral donors, and NGOs, but this group has had difficulty convening.

Before the creation of CNCS, UNAIDS played a organizing role in bringing donors together for the purpose of sharing information. However, because it was envisioned that CNCS would assume this role, UNAIDS discontinued its effort so as not to duplicate the work of CNCS. Presently, the UN agencies that maintain HIV/AIDS activities meet at the head-of-agency and technical levels on a monthly basis. These meetings seem to be the only regularly scheduled venues for coordinating donor-supported HIV/AIDS programs. Though far from an ideal arrangement given the absence of so many important donors, the meetings have resulted in an agreed strategy that is intended to guide the HIV/AIDS interventions of the UN agencies over the period 2002-2006. However, even this group has experienced problems. A substantial project is moving forward even though its fit within the agreed UN strategy is somewhat dubious.

The opportunity presented by the Global Fund for HIV/AIDS, Malaria, and Tuberculosis mobilized the donor community in support of the preparation of Mozambique's proposal. The result was the creation of the Country Coordination Mechanism (CCM) for the Global Fund, which is essentially an enlarged version of GT-SWAp that meets on an as-needed basis. One interviewee felt USAID had been too frequently absent from the meetings, noting that when USAID participated, it brought strong ideas. However, because it is chaired by MISAUD, the CCM, too, is less than ideal for coordinating HIV/AIDS activities. It is criticized by some for its excessive "health orientation." While no one doubts the importance of a functioning health system to the fight against AIDS, the problem of HIV/AIDS is much broader than the health sector. Ideally, the CCM should be a mechanism for bringing together coordination bodies dedicated to each of the Global Fund's three main issues. According to UNAIDS, working groups on malaria and tuberculosis are running quite well, so all that is lacking is a functioning coordination body for HIV/AIDS activities.

The Role of CNCS

Unfortunately, the structure of the CCM serves to reinforce the somewhat strained relationship that has existed between MISAUD and CNCS. MISAUD is seen by some as trying to expand its mandate to capitalize on the higher levels of foreign assistance that have become available to combat HIV/AIDS. The initial proposal to the Global Fund – since rejected – requested that

⁹ The four donors were Ireland, UNDP, USAID (in its concept paper), and the World Bank.

funds for HIV/AIDS care and treatment activities be allocated to MISAUD and funds for prevention activities and activities designed to mitigate the social impact of the disease be allocated to CNCS. A five-year, \$50 million credit from the World Bank proposes a similar approach. Dividing funding in this way could inadvertently reduce the authority of CNCS as the national HIV/AIDS coordinating body.¹⁰

Nevertheless, due to capacity constraints in managing funding, caution is warranted in channeling assistance through CNCS. Several donors are providing institutional support to CNCS, though Ireland is the only donor providing assistance – a very small amount – to a common fund managed by CNCS. The initial proposal to the Global Fund requested that the assistance destined for CNCS be placed in the common fund for civil society activities. The World Bank proposes to channel up to \$35 million of its credit through the common fund. According to one interviewee, the move toward a common fund for CNCS is very much donor-driven due to the expressed interest of some donors in working through SWAp-like arrangements. The experience of Malawi in trying to establish an HIV/AIDS “Mini-SWAp” could therefore be instructive, particularly in illustrating some of the pit-falls resulting from a hasty donor effort to establish an effective coordination arrangement in the absence of strong government commitment and extremely limited capacity (Bellows and Dowsnell 2002).

Future Issues for CNCS

Given the difficulties in effectively coordinating GRM’s response to the challenge of HIV/AIDS, it is unlikely that CNCS will be able to coordinate the full range of actors – GRM ministries, donors, NGOs, and the private sector – in support of the national HIV/AIDS strategy in the near term. However, the common fund is in theory intended to finance activities of civil society organizations, and *Empresários Contra SIDA*, a private sector working group that is part of the CTA, has reportedly established a formal relationship with CNCS. *Empresários* is seen as one of the most active CTA working groups, holding meetings on almost a weekly basis. Having met with the World Bank, the group has an interest in better coordinating its efforts with those of other donors.

Empresários is strongly represented by companies in the transport industry and, as such, could prove to be an important link to cross-border efforts to fight HIV/AIDS. Even though most recognize that the problem of HIV/AIDS in Mozambique is partly a function of the prevalence of the epidemic in neighboring countries, the regional dimension of the problem is not being adequately addressed. SADC is viewed as too weak to have much effect in this regard, though UNAIDS has recently placed an adviser in the SADC Secretariat. Donors, too, generally do not seem to have undertaken sufficient efforts to coordinate activities with those supported by their own agencies in other countries in the region. But the question remains whether this should be the responsibility of CNCS and its counterpart national AIDS commissions in the region or that of donors themselves.

¹⁰ Although it is less clear, the relationship between the Ministry of Education (MINED) and CNCS could suffer similar difficulties. MINED requested its own assistance as part of the initial proposal to the Global Fund and was reportedly due to release an HIV/AIDS strategy for the education sector. It remains to be seen whether MINED will be willing to accept assistance from the Global Fund through CNCS rather than directly.

SO 5: Potential for conflict reduced through improved citizen-government interaction

Ineffective Coordination Mechanisms

Perhaps because of its many components and crosscutting nature, the area of governance is characterized by a number of coordination forums. There exist at least six working groups, some of which involve GRM representatives, on various governance-related issues: media, police, assistance to Parliament, legal reform, public sector reform, and drug control. In addition, the DPG is primarily concerned with political matters, and the G10 is currently exploring the merits of attaching governance-related conditionality to its budget support. The fact that none of the working groups actually reports to the DPG – the exception may be the G10, which is more a macroeconomic working group than a governance working group but carries a great deal of political influence with GRM – seems to limit their effectiveness. However, the importance of well-coordinated donor assistance and policy stances on matters of governance was underscored by the fact that many interviewees conceded privately that a recent paper which argues that donors are inadvertently supporting corruption in Mozambique (Hanlon 2002) was, in the main, accurate.

USAID participates in four of the working groups and chairs the group concerned with assistance to Parliament. It is not clear that these groups are used for their intended purposes. As one interviewee noted, there is little value in participating in coordination meetings if they are not used to address controversies and differences. It appeared the public sector reform working group suffers from limited effectiveness even though most donors recognized the importance of an effective public sector reform program to their more sector-specific objectives. On the other hand, the legal reform donor working group appears poised to raise its profile. The fact that the Denmark-chaired G10 is exploring an approach to conditionality that may involve governance indicators provides an opening for the Denmark-chaired legal reform group to offer technical input to the more politically influential G10. Reaching agreement within the group on appropriate indicators will likely prove difficult, though.

Missing Coordination Mechanisms

In spite of the multiplicity of governance coordination groups, there is no formal venue for coordination of anti-corruption activities. USAID seems to be one of the few donors supporting anti-corruption efforts, and one interviewee commended USAID's willingness to share information regarding its programs. Nevertheless, inefficiencies are evident. Few donors knew of a two-day anti-corruption forum planned for 8-9 October 2002, and the forum did not seem to fit with ongoing anti-corruption efforts. In addition, DfID is apparently planning to support a follow-up survey to the very influential 2001 USAID-funded corruption survey by *Ética Moçambique*, an NGO campaigning against corruption. USAID, however, is considering supporting a similar follow-up activity to the *Ética* survey.

Support for auditing capacity development is another area in which coordination could be improved. In spite of the importance of strong audit capacity for the successful achievement of goals under other donor activities – e.g., the G10's budget support program – few donors seem to provide assistance to help improve the effectiveness of the Administrative Tribunal,

Mozambique's auditor-general's office. Even so, more information sharing would be helpful. In addition to USAID's support for audit capacity building efforts, one of the major focuses of SIDA's development cooperation program is also building audit capacity. SIDA assistance has helped the Tribunal produce its first-ever audits of the state accounts. Some accounting firms have done pro-bono work with the Tribunal as well. But a major problem for the Tribunal is its inability to retain qualified staff, who tend to leave for more attractive opportunities at MPF or in the private sector. This should particularly concern the G10 donors, who, it could be argued, have helped raise the profile of MPF within GRM at the expense of offices such as the Tribunal in spite of the fact that the work of the Tribunal is essential to the G10's budget support program.

Coordination Implications of National vs. Local Emphasis

It remains unclear whether USAID's new strategy will focus its efforts to support improvements in governance at the national level, USAID's historic emphasis, or at the local level, where most citizens actually meet their government but USAID experience is more limited. The latter approach would certainly be consistent with USAID-supported efforts to decentralize MADER and MISAUD. However, an emphasis on the local level could increase the coordination burden for USAID. Coordination on national level activities would remain important since, as the concept paper notes, much depends on the outcomes of national efforts, such as the public sector reform program. But because funding activities outside of the capital can be rather expensive, coordination with other donors supporting decentralization would be important to achieve greater impact with scarce USAID dollars. And given its more limited experience with local government activities, USAID would likely stand to benefit from these donors' longer records of experience with decentralization.

Systemic Issues

As the above discussion makes clear, there are several systemic issues that ultimately may have major implications for the achievement of USAID's proposed SOs. The most important of these are likely public financial management; human capacity, particularly in the public sector; and general questions of governance, including corruption and decentralization. Because the effectiveness of coordination in each area is quite different, the importance of USAID engagement on these issues is quite different as well. General questions of governance are addressed above under the discussion of USAID's proposed SO 5. This section addresses the coordination arrangements that exist in the areas of public financial management reform and human capacity development in the public sector.

Public Financial Management

The experience of ProAgri and concerns regarding GRM's capacity to translate policy priorities into budget priorities and manage the budget in an effective manner suggest that public financial management reform is crucial to achieving sector-specific objectives. The introduction of new financial management procedures by MPF actually caused problems for MADER, as it was attempting to reform its own financial management system under ProAgri. The same could occur with MISAUD, whose financial management reform effort is currently being supported by USAID. At this time, unfortunately, it appears that the "Government's payment system in

Mozambique does not function” (Sjølander 2002: 2). The World Bank’s (2001) recent “Public Expenditure Management Review” highlights many of the important shortcomings in Mozambique’s budget system. According to several donors, MPF is currently committed to implementing a modern integrated financial management system, SISTAFE, by the time the 2004 elections are contested. The reform effort has already begun, with the creation of a unit within MPF to oversee the implementation of SISTAFE, but some suggest the timeline may be overly ambitious, possibly resulting in negative repercussions on the program. Sjølander (2002) more realistically predicts 2007 as the first year of full implementation of SISTAFE, assuming commitment to the program continues. This leaves sector -specific financial reform efforts somewhat in a state of limbo.

The primary venue for coordination on issues concerning public financial management is the G10. While most donors acknowledge GRM’s financial management problems, interviews with various G10 members suggested that the group overall is satisfied with the pace of progress to date (See also Joint Donor Group 2002). This progress is attributed to the strong influence the G10 has with GRM as a result of its assistance accounting for such a large share of the public budget. At the same time, the fact that GRM could have serious difficulties operating if disbursements by the G10 are withheld for any reason lessens the credibility of the group’s threat to withhold in the face of insufficient progress on reforms. As noted by Harvey (2002), withholding budget support would work directly against two of the main objectives of the G10, namely macroeconomic stability and predictability of funds to GRM, both of which are necessary for the reform of the public financial management system.

Although G10 meetings are open to observers, regular USAID participation would likely entail a statement regarding the commitment of USAID to minimally explore the possibility of using general budget support. While some USAID staff have serious reservations about the future use of budget support, USAID already seems to have a strong case for becoming more involved in the G10, as noted above. But reaching a decision on becoming a full member of the G10 would require the carefully weighing of the advantages of gaining access to privileged information that affects a number of USAID’s programs and the leveraging opportunities presented by the G10 in support of USAID SOs against some of the uncertainties about the financial management system and perhaps the pressure to disburse even in the face of delayed reform.¹¹

Related to, but somewhat broader than, public financial management reform, the G10 is also becoming more interested – and therefore influential – with regard to more general governance issues. As such, the current discussion of a two-tiered approach to providing budget support, particularly if a second tier becomes linked to broader governance indicators, could allow a way for USAID to get around some of the drawbacks of membership. In particular, if a two-tiered disbursement arrangement were devised, USAID could conceivably tie its assistance only to improvements in governance, leaving other donors to disburse against standard macroeconomic conditions. Of course, USAID would have to be at the G10 table to influence discussion in this direction. Alternatively, USAID could work through the legal reform donor working group to

¹¹ Harvey (2002: 23) makes the following observation: “At any one time, potential new entrants will see current problems as a barrier to entry, whereas existing members are more likely to be aware of past progress and therefore to be more tolerant of remaining problems.”

influence the development of governance indicators that stand a good chance of being provided as input to the G10.

Human Capacity

One of Mozambique's most serious constraints to development is its human resource base, which, according to one interviewee, is low by African standards. This was a theme echoed in most interviews, regardless of whether discussion centered on the roles of sectoral or central ministries, and is recognized in other studies as well (See, for example, Pavignani and Hauck 2001). And yet the trend among donors is toward providing more assistance as budget support, either to the general budget or through SWAps.¹² The theory underlying the provision of budget support is partly based on the recognition that oftentimes there exists a great deal of local capacity that is just not being tapped. According to several interviewees, this is simply not the case in Mozambique. As one interviewee noted, there actually is an absolute human capacity constraint in Mozambique. To make matters worse, the few qualified staff working in the public sector tend to quickly find better opportunities, either in the private sector or with donor organizations. Those that stay frequently only do so if they can obtain consulting work as a supplement to their government positions. This means they are unable to fully focus on what should be their priority jobs.

GRM's ten-year public sector reform program is intended to address these sorts of human resources problems. USAID and FAO both noted that a successful reform will be particularly important to the continued progress of ProAgri, but clearly the program has important implications for each USAID SO. Unfortunately, confidence in GRM's strategy seems low even though the program is receiving substantial support from DfID and the World Bank, as well as several other "like-minded" donors. According to some interviewees, GRM commitment to serious reform is lacking. Further, there remains confusion about what exactly public sector reform entails. For example, the director of the unit within the Ministry of State Administration that is overseeing the government-wide process (UTRESP) was given the job of developing a national anti-corruption strategy as well. It is questionable whether legal reform should be considered part of the public sector reform program. In addition, many donors are skeptical that the program will address some key issues, such as retrenchment, salary reform, and other basic personnel issues.¹³ The IMF is disappointed that the program does not attempt to develop a more strategic role for the public sector, and SIDA noted that the effort to achieve a few "quick wins" has distracted attention from a more strategic reform agenda.

The working group on public sector reform is co-chaired by UTRESP and DfID. To date, it appears to have been of limited effectiveness, primarily due to the problems noted above. The working group also suffers from its limited connections to other governance-related coordination

¹² Pavignani (2001: 2) observes that "*enormous expectations in the recipient public sector replaced previous distrust* in the prevalent aid discourse. Further, the emphasis on the side effects of the project approach led to downplaying the very reason for its introduction, i.e., the poor performance of recipient countries in absorbing aid (Penrose, 1997). As a result, long neglected and distrusted by donors, these 're-discovered' public sectors are expected to stand up to the challenge of managing incoming aid, at lower cost, in expanded volumes, and to greater effectiveness. The stakes of the development game have been dramatically raised" (author's italics).

¹³ Two interviewees noted that the public sector in Mozambique is not overstaffed; if anything, it is understaffed. Rather, the basic problems are lack of capacity and an inappropriate mix of GRM staff.

groups, as well as the DPG and G10. Nevertheless, some donors see progress. Until DfID was asked by GRM to spearhead the coordination effort, it was reported that there was virtually no coordination whatsoever. Now, the key donors meet on a regular basis with GRM, and consideration is being given to the establishment of a donor code of conduct and a pool dedicated to supporting the public sector reform program. Of course, these developments do not necessarily mean the program itself is moving forward. In fact, some donors expressed the view that the program needs to advance more quickly. SIDA, on the other hand, expressed concern that moving forward too quickly could undermine the effort as a result of GRM undertaking too many reforms concurrently.¹⁴ Given the uncertainty surrounding the program, USAID's current wait-and-see approach seems appropriate. Nevertheless, because the implications of the program loom large for USAID's SOs, it may be important to remain engaged in the public sector reform working group.

Factors Working Against Coordination

On the Donor Side

While donor coordination is often recognized as necessary and sensible, it is rarely practiced in an effective manner. As Easterly (2002) notes, the lack of coordination and its ill effects have long been lamented within the international aid community, but efforts to reform have resulted in precious little change because the incentives to coordinate tend to be weak. Effective coordination is usually staff-time intensive. Progress is often slow and becomes slower as the number of donor agencies increases. For example, discussion of an education sector program in Mozambique, designed to coordinate the donors in support of GRM's education sector strategic plan, began in 1995 and only recently were negotiations completed on an agreement for the provision of assistance in support of the program between GRM and interested donors. Such protracted negotiations can often outlast donor representatives' time in the country, sometimes resulting in the reconsideration of issues that may have been agreed previously.

Donors also have very different degrees of decision-making authority vested in the field, which can have a substantial impact on the effectiveness of coordination.^{15, 16} In Mozambique, DfID, Ireland, the Netherlands, and USAID stand out as being the most decentralized among the bilateral donors. The Nordics generally appear rather centralized, though the narrower reach and smaller size of their global development assistance programs tend to facilitate communication between headquarters and the field. SIDA's Mozambique program, however, is one of five decentralization "experiments" SIDA is undertaking. The embassy was given authority to make decisions regarding activities valued at \$5 million or less. The EC is very centralized – all tenders must be sent to Brussels for approval – and the World Bank, too, is quite centralized,

¹⁴ Pavignani and Hauck (2001: 9) describe Mozambique as currently being affected by a case of "reformitis."

¹⁵ Though effective coordination could be more complicated, a more centralized approach has its own advantages. In particular, centralized donor agencies often find it easier to bring their experience in other countries to bear on local situations and may have a broader base by which to judge progress.

¹⁶ In Mozambique, coordination with Portugal would appear to be virtually impossible. The Portuguese assistance program, while relatively large in volume (in gross terms, Portugal was the largest bilateral donor to Mozambique in 1999-2000), is dispersed among a number of ministries in Portugal and tends to be based on personal relationships. For example, Portugal's Ministry of Health maintains its own assistance program with MISAUD in Mozambique. The Portuguese development cooperation agency is considered to be of minor importance for this reason.

though this can vary by sector. For example, the Bank has hired a consultant to support its roads project and now has a person dedicated to small and medium enterprise development in its field office. In addition, the Bank's Country Director for Mozambique was recently moved to the field, but most project team leaders are still based in Washington. Effective coordination with the more centralized donors may therefore require headquarter-to-headquarter dialogue.¹⁷

On the Recipient Side

A government's capacity and willingness to lead donor coordination are also important determinants of the effectiveness of coordination efforts. Without a strong focal point to guide coordination, it is easy for donors to succumb to the tendency to pursue their own interests, some of which may not be consistent with the development objectives of the country. As is the case with donor turnover, high turnover within recipient governments, attributable to political transitions or better job opportunities in the private sector and with donor agencies, can have detrimental effects on coordination. According to SIDA, negotiations to establish the education sector program in Mozambique suffered a great loss when the Minister who had led the process on behalf of GRM was replaced.

Uganda provides an excellent example in which a proactive government has led the process of dialogue with its development partners. The Government of Uganda is developing a comprehensive framework for donor support, whose focus is the overall budget rather than individual projects and sectors and which aims to streamline donor conditionality. To assist in this process, the Government developed "partnership principles," which the donors subsequently endorsed.¹⁸ The partnership principles outline a shared commitment to fund activities consistent with Uganda's poverty reduction strategy and clearly establish the responsibilities of Government on the one hand and of donors on the other. Under these principles, the Government of Uganda committed to a variety of actions pertaining to good governance, poverty reduction, and public sector reform. Two specific examples of commitments include maintaining the level of Government funding and focus on poverty eradication and improved tax administration. The donors, in turn, agreed to harmonize their analytical work, disbursement rules, and indicators. These principles serve as a common guide for aid delivery, replacing distinct bilateral approaches in order to rationalize aid flows and reduce transaction costs and thus allowing greater concentration on the delivery of aid and less on its administration.¹⁹

On the other hand, it may be the case that a government finds it advantageous to actively discourage donor coordination. Indeed, the costs imposed on a government by a united donor front can be onerous. For example, it is reported that Mozambique's Minister of Planning and Finance is concerned about the possibility of increased bargaining power that might result from additional donors joining the G10 (Harvey 2002). Several interviewees noted that dispersed assistance arrangements could work to the advantage of individual GRM units. Both MADER and MISAUD expressed concern about the trend toward more assistance being channeled

¹⁷ It is important to maintain strong contact with USAID headquarters, particularly AFR and PPC, which can use opportunities presented by, for example, international meetings to advocate on behalf of the Mission.

¹⁸ The partnership principles can be found at <http://webnet1.oecd.org/pdf/M00022000/M00022943.pdf>.

¹⁹ Two interviewees suggested that donors in Mozambique should consider a similar arrangement, particularly to govern the delivery of technical assistance.

through the general budget due to skepticism that stated policy priorities will be translated into actual budget priorities. Easterly's (2002) proposed remedy for the coordination dilemma recognizes the value developing-country governments might see in subjecting aid agencies to policy competition. In other words, efforts to coordinate are not only doomed to fail; they may not even be desirable. Some former and current USAID/Mozambique managers share a similar view and suggest that USAID's relative independence gives it greater credibility with GRM, particularly with regard to issues surrounding the macroeconomic reform program.

Personalities

Ultimately, the effectiveness of coordination depends to a large extent on the personalities of the individuals involved on both the donor and recipient sides. Much of the recent progress that has been achieved by ProAgri has been widely attributed to the collaborative personality and enthusiasm of the USAID representative in the working group. The USAID representative, however, is dedicated entirely to ProAgri, a luxury few other donors have. Other coordination groups in Mozambique have dissolved when changes in leadership were made. Even though the case for donor coordination may be strong, personalities could be the key determinant of the effectiveness of a particular coordination effort.

Main Conclusions

DPG

In Mozambique, the abundance of well-intentioned efforts to coordinate assistance seems to have resulted in the need to coordinate the many coordination mechanisms. This is widely recognized by the donor community, which appears to agree that the entire system should be rationalized, beginning with the DPG. The effectiveness of both the DPG and the technical working groups could be enhanced by a more direct link between them. If DPG discussions were better informed of technical matters, the meetings might become more operationally relevant. More established communication could also lead technical groups to become more politically relevant, thereby providing a strong incentive to tackle and resolve more difficult issues.

Some SO-Specific Conclusions

The ProAgri experience can greatly inform other efforts to develop functioning sector programs in Mozambique. The primary reason for ProAgri's success seems to be that it has focused on building the necessary capacity for MADER to carry out its agreed priority functions as a Ministry of Agriculture. At the same time, this more narrow approach no doubt limits its effectiveness in dealing with issues that are beyond the scope of – but have serious implications for – the sector program. As ProAgri matures, it should be able to tackle more complex issues and perhaps expand to include private sector and non-governmental actors.

The multidimensional nature and intensity of the HIV/AIDS pandemic makes strong coordination by all actors – GRM ministries, donors, NGOs, the private sector, and possibly even actors in neighboring countries – absolutely necessary. Unfortunately, GRM leadership has been lacking. The donor community may therefore wish to consider taking steps to fill the void in the

short-term while keeping in mind the key role CNCS was created to play in coordinating activities in support of the national HIV/AIDS strategy. Efforts to establish an HIV/AIDS “Mini-SWAp” in Malawi could provide useful insights to a similar effort in Mozambique.

Systemic Issues

There are several issues that would appear to have implications for all of USAID’s SOs, including public financial management, public sector reform, and legal reform. The Mission may therefore wish to consider participating in coordination groups dealing with such issues on a more systematic basis. Certainly, the G10 seems the most worthwhile given its access to privileged information and the influence it carries with GRM on budget issues. The group’s effort to develop governance-related indicators that could be incorporated into the conditions under which budget support is provided might also be of interest to USAID. Due to its use of budget support as part of the private sector development program, as well as U.S. cancellation of Mozambican debt, USAID likely has a legitimate case for becoming a member of the G10. While some current members may expect a statement regarding the possibility of USAID’s future use of general budget support, other members are simply interested in the expertise USAID might bring to the group’s discussion, particularly with regard to private sector development and trade capacity building activities.

While public sector reform and legal reform are crucial issues in Mozambique, GRM’s commitment to both seems somewhat questionable. Nevertheless, monitoring the activities of the coordination groups dealing with these issues could be worthwhile. In fact, the legal reform working group seems poised to raise its profile. The Danish chair envisions the group serving as the technical unit in support of the Denmark-chaired G10 on governance-related indicators. This might be a different forum for USAID to leverage G10 budget support in support of its governance-related objectives.

Intangibles

Several “intangibles,” such as the decision-making structures of donor partners, political will, and individual personalities, will have an immeasurable impact on any coordination effort USAID undertakes. Even though the case for coordination might be strong, such intangibles could be the ultimate determinants of the effectiveness of coordination and therefore must be factored into any decision to spend valuable staff time on coordination.

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Annex: List of Non-USAID Interviewees

Donors

Denmark:	Anne Schouw, First Secretary Thomas Thomsen, Counsellor
DfID:	Nick Highton, Economic Advisor Caroline Rickatson, Senior Governance Advisor
EC:	Fabio Bargiacchi, Democratization and Good Governance Advisor Jenny Eklund, Development Adviser José Carlos Nunes, Counselor Jean Risopoulos, Food Security Officer
FAO:	Margarida David e Silva, Program Officer
IMF:	Arnim Schwidrovski, Resident Representative
Ireland:	Caroline Albers, HIV/AIDS Advisor Kevin Colgan, Development and Cooperation Attaché Douglas Hamilton, Health Advisor Miguel Junior, Project Officer
Netherlands:	Soila Hirvonen, Gender Advisor Celia Jordão, Program Officer Roland P.M Martin, Secretary for Trade and Economics
Norway:	Lars Ekman, First Secretary
Sweden:	Magnus Lindell, Counsellor for Cooperation
UNAIDS:	Aida Girma, Country Program Advisor
UNDP:	Aeneas Chuma, Deputy Resident Representative Alejandro Mazarambroz, Program Officer
World Bank:	Dipac Jaientilal, Senior Macroeconomist David Nielson, Senior Economist Subhash C. Seth, Operations Officer

Government and Non-Government

Ministry of Agriculture and Rural Development:	Rogéria C. Muianga, Director of Administration and Finance Fernando Songane, ProAgri Coordinator
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Ministry of Health:

Gertrude Machetine

Frederico Rocuts

Ministry of Industry and Commerce:

Jorge Salvador, Senior Trade Advisor

Ministry of Planning and Finance:

Bruce Byiers, National Directorate of Planning and Budget

Argentina Maússe, Director of International Cooperation

CTA: Sergio Chitara, Executive Director

Independent: Enrico Pavignani, Consultant